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Supplement to

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Country: Poland/China/Western Europe

Subject: Reported Chinese Intentions to Use Poland as Middleman in Trade with Western Europe

Place Acquired: 25X1X6

Date Acquired:

Date of Info: Summer - early Oct 53

Source:

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1.

2. "As reported previously [redacted] large quantities of Polish exports for China waited several months [during the period November 1952- July 1953] on the Polish coast before receiving shipment. Great damage was done to those exports by the weather, especially to metal machines, spare parts, tubes and other goods which deteriorated because of rusting.

3. "Consequently, when Polish shipments to China started again [summer 1953] China received some goods of reduced value. The Chinese ambassador in Warsaw, acting on behalf of his government, expressed to the Polish Government the Chinese dissatisfaction at the inferior quality of these goods, which did not meet the conditions of the Polish-Chinese agreement. The Chinese considered this a failure on the part of Poland to keep to that trade agreement.

4. "The Chinese absolutely refuse to recognize their own fault in the whole operation. They ignore the record of their own failure to keep to regular terms of payment.

5. "This Chinese criticism reveals a tendency to regain a certain independence in trade relations. It can be read between the lines that, although quite willing to reap all the benefits arising from Soviet eagerness to help them, the Chinese wish to preserve, at the same time, a free hand in trade. They do not want to be reduced to the role of a partner who is absolutely dependent on deliveries from the Soviet Bloc and must accept whatever comes from that source.

6. "On the other hand, although China wishes to have an open chance to trade with countries outside the Soviet Bloc, this exchange is not easy because of the special conditions under which she is resolved to carry on her trade. Namely, China refuses nowadays to open Letters of Credit to cover her purchases in Western Europe. She offers instead Letters of Guarantee which are only payable two weeks after the discharge of goods in a Chinese port and their inspection by a Chinese surveyor. European exporters are not eager to sell their goods on such terms as it involves a long wait for the payments. Also, the matter of inspection is one of the main difficulties, as the inspection is usually done by official surveyors at the supplying factories or at the port of FOB delivery. Only is supplied for the interest of

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7. "In this connection, it is learned from Swedish and Benelux business circles (very reliable) [not identified] that Poland is again to be asked by China to help in this difficulty. It is planned that the goods for China will be bought from Western exporters by state-owned Polish commercial agencies on their own account and under the generally accepted conditions (opening of Letters of Credit and inspection at FOB delivery ports by Warsaw representatives). In this way the exporters will receive their prices from Poland in a fairly short time. The goods will be shipped on transports of the Polish-Chinese Ocean Line directly to the Chinese ports, without as previously - stopping at Gdynia. The Chinese will pay the Poles for the goods and in addition pay them a separate commission for their services as middlemen. These exports will include iron and steel, non-ferrous metal semi-finished and finished products, wire, cables, tubes and pipes, building materials, rare metals, chemicals and drugs, machines, electric equipment and tools. The Chinese will pay Poland on the basis of accounts to be rendered every half-year, partly in cash and partly in kind (raw materials).
8. "This shows that, although wishing to preserve a certain independence, China wants to trade with Poland and to use her services in many ways. But again, this sort of trade is not advantageous to Poland. Polish-Chinese trade relations have brought no benefits to the Polish partner. On the contrary, the Polish economy has to bear the burden of all the costs and losses arising therefrom."

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